

What If I Do File?

The Benefits

When you file for bankruptcy, your creditors: _____

- May not file any lawsuits against you and must stop any cases which are pending, anywhere outside the bankruptcy court.
- Must stop attempting to collect on your unpaid bills.
- May not put a mortgage or lien on your property and must stop collection on any existing lien, unless and until the bankruptcy court allows them to proceed.
- Must accept the amounts the court decides you are required to pay them, even if this is less than the full amount of the money you owe them.

The result is that when you are finished with your bankruptcy case, you will get a “fresh start.” While you will always remain responsible for a few special kinds of debts (including things such as alimony, child support, or student loans), you may be able to wipe out (or “discharge”) all the rest of your existing debts, depending on which type of bankruptcy petition you file.

The Costs

On the other hand, there are very real drawbacks to filing bankruptcy: _____

- There will be serious effects on your credit rating. A bankruptcy can appear on your credit report for 10 years after the date you file your petition. You may find it difficult or impossible to get a loan or a credit card for years after filing bankruptcy.

You will be limited for the next six years in whether you can file again for bankruptcy, and under what circumstances. If you file now just to get rid of some minor debts and two years later get into real trouble, your options may be much more limited.

You may have some of your property sold to pay your debts. The amounts you receive from such a sale will probably be small and will certainly not make up to you for the loss of your possessions.

Even if you can temporarily stop a creditor from foreclosing on its mortgage or lien, eventually the creditor will be able to reclaim its property, unless you can make arrangements to pay that debt.

Moreover, while you may be able to keep your other property, to do so, you will have to agree to live on a rigid budget for three to five years, to allow you to pay your creditors. If you don't live up to that budget, your property may still end up being sold to pay your debts.

The Bottom Line On Bankruptcy

Bankruptcy is not a choice to be made lightly. Failing to pay your debts, if you can do so, not only hurts you, it hurts everyone. Prices go up to cover bad debts and lenders are more reluctant to make loans. Defaults on student loans reduce the loan pool for other students. Everyone's taxes must be raised to make up for those lost in bankruptcies. In short, if you can stay out of bankruptcy, by all means do so.

But, at some point, those measures may not be enough. If you really need to file bankruptcy, it can be a lifesaver-and Congress wanted you to have the option. It knew that people in financial despair can't concentrate on getting back on their feet.

So, think about the costs and benefits, and make your choice. Our next pamphlet tells you about the different kinds of bankruptcy petitions that you can choose from. But, before you do anything about filing, you may want to get someone to help you through the process. Just make sure they don't make your situation worse.

Getting Help-

Don't Get Taken In _____

Figuring out the Bankruptcy Code and your options isn't easy. It's natural to look for help. Just make sure you get good advice, not more trouble. First, remember there are no miracle cures for bad debts; don't let anyone tell you they can cure your problems without any pain or consequences.

Next, decide how complicated your situation is. Do you operate a business? Do you own a house, or other assets that you really want to try to hold on to? How large are your debts? The more complex your situation, the more important it may be for you to get legal help before filing your petition. These pamphlets can only give the briefest outline of the issues you may face and are not meant to provide legal advice. You should consult your own attorney before deciding what action to take.

Starting To Think

and Learn About Bankruptcy

The Founders of the United States provided in the Constitution for Congress to establish a uniform federal bankruptcy law. Over the 200 years since then, there have been many revisions of these federal bankruptcy laws.

In 1978, Congress changed those laws to make them more useful to both businesses and individuals. Since then, more than six million bankruptcy cases have been filed-almost a million in 1992 alone. In some states, one in every 50 households filed for bankruptcy in 1992.

You have seen the ads and heard all about it. It seems that everyone's doing it. Declaring bankruptcy looks like an easy answer to so many ills. But you should keep in mind that bankruptcy is never a preferred choice if you can avoid it. If you have been particularly hard hit, though, by the recent economics slowdown, you may be giving serious thought about whether you should be among the one in 50 who do file for bankruptcy. If so, there are things you should know. And-if you decide to file-there are things to watch out for to keep from getting burned.

Should You File?

It is never easy to decide whether to file for bankruptcy. Everyone knows how quickly you can run up debts, especially if you lose your job. And-if you really can't pay those debts-the Bankruptcy Code is meant to give you a chance for a fresh start. But filing can have serious consequences, so think about other options first.

What Should You Do Before You File?

Don't ignore your bills! They won't go away or get better. The longer you avoid your creditors, the angrier they will be. Let them know quickly why you are falling behind on your payments and make it clear that you intend to pay your debts.

Talk to the credit or collection manager where you owe money. Ask if you can stretch out your payments or reduce your debts. Bad loans cost them money too, and they will probably get more if they work with you in their efforts to pay off your debts then if they force you into bankruptcy.

Look into financial counseling. There are many agencies and businesses which will deal with your creditors for you and help you set up a repayment schedule. Your state or local government may offer such services or have a list of agencies which can assist you.

Be careful, though. Some of those counselors prey on people in financial trouble. Don't let a con artist make your situation worse. Read our brochure on credit repair scams and the other information in this brochure about financial counseling before you entrust your finances to someone else.

Where Do I Go?

If you don't have your own attorney, you can contact your local bar association for referrals, or you may qualify for Legal Aid. Some unions or other groups may run their own legal service program. Many law schools operate clinics and there are profit and non-profit credit counseling centers which you may want to use. Look around, help is there.

Don't feel shy about asking questions of the clerks in the bankruptcy court's office. Clerks are to be helpful, and they probably can answer many of your questions.

If you want to use a credit counseling center, check it out carefully. Be sure you know, up front, what its fees and expenses are. The fees of some non-profits are lower because they are partially funded by lenders. Keep that support in mind when you consider the advice they give you.

Finally, check with your local Better Business Bureau or your Attorney General's office to see if they maintain records about your complaints against such centers.

Toll-Free Consumer
Hotline:
1-800-441-2555

Contact:
*Office of Attorney General
Bureau of Consumer Protection
14th Floor, Strawberry Square
Harrisburg, PA 17120*

Bankruptcy and You

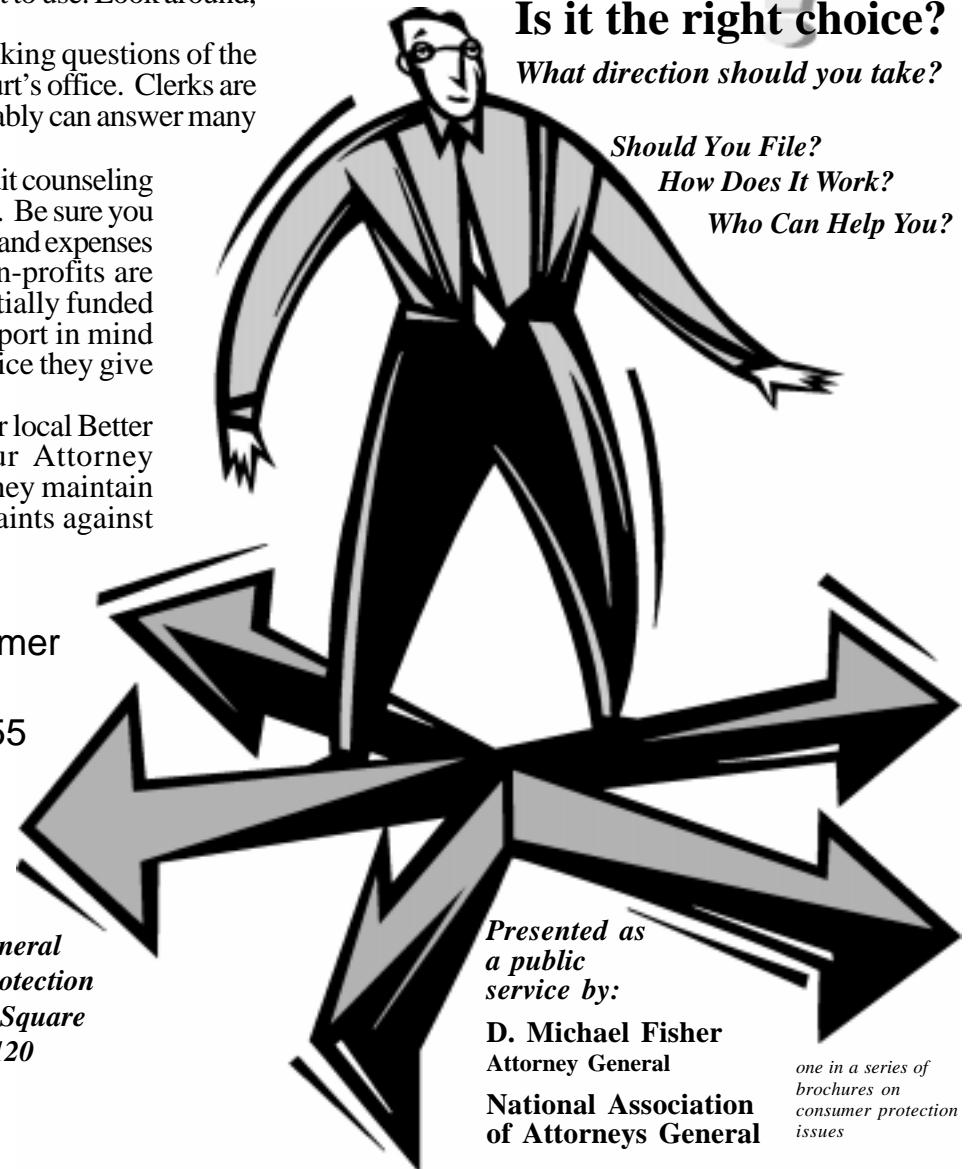
Is it the right choice?

What direction should you take?

Should You File?

How Does It Work?

Who Can Help You?



*Presented as
a public
service by:*

**D. Michael Fisher
Attorney General
National Association
of Attorneys General**

*one in a series of
brochures on
consumer protection
issues*